EXHIBIT 13b: NARRATIVE SUMMARY

Company Name:	**HealthPlus HP, LLC**
NAIC Code:	**16574**
SERFF Tracking #:	**AWLP-133669138**
Market Segment:	**Individual**

Empire BlueCross BlueShield

An Anthem Company

1 Penn Plaza, New York, NY 10119, Telephone (212) 476 1000

REQUEST OF:

HEALTHPLUS HP, LLC

TO:

THE DEPARTMENT OF FINANCIAL SERVICES of the STATE OF NEW YORK

FOR APPROVAL OF COMMUNITY RATE CHANGES

Updated May 10, 2023

NARRATIVE SUMMARY
[DFS and policyholder – for public posting]

I. OVERVIEW

HealthPlus, LLC (HealthPlus) has made an application to the Superintendent of Financial Services to adjust premium rates for health insurance available to individual customers.

These individual customers and their covered dependents are combined, by long standing New York law, in what is known as a community rated pool. All members enrolled in the pool plans are guaranteed issuance of coverage and each contract holder is charged the same premium rate as any other contract holder for the health insurance product they select regardless of health status, age, sex, or other demographic factors other than the region of the State where they reside and family type.

All medical, hospital, pharmacy, and other non-specialty covered care and necessary administrative costs are combined, by law, in the pool in order to determine appropriate premium rates. These premium rates must support sufficient, sustainable reserves for both current and future coverage costs related to community pool products on a stand-alone basis. Current approved rates for HealthPlus's community pool products are in need of an increase to account for the rising costs incurred as provider charges continue to rise and utilization of services increases.

The products specifically impacted by rate increases at this time are individual policies sold by HealthPlus, (NAIC code number 16574). The rate adjustments impact both on-exchange and off-exchange policies. The actual rate increases requested are provided below. HealthPlus's proposed rates are subject to review and approval by the New York Department of Financial Services ("the Department"), with the determination by the Department supported by sound actuarial assumptions and methods. The rates currently in effect were filed with the Department on May 10, 2022 (SERFF number: AWLP-133233633) and subsequently approved by the Department for use in 2023. The 2024 rate applications will be submitted to the Department for approval on May 10, 2023 and the approved rates will be communicated to the impacted parties upon completion of the Department's review and are scheduled to be effective on January 1, 2024.

HealthPlus is required by New York State law to develop rates that are actuarially sound, assume at least 82% of premium revenue will be spent on health care costs, cover all claim costs, and also contribute to claims reserves. The percent of premium attributable to claims is essentially how much of the premium dollar is used to pay claims and is referred to as the Medical Loss Ratio (MLR). The actual MLR may vary over time based on changes in the amounts charged by hospitals, physicians, and other providers, as well as the increase in health care trend or inflation and health care utilization by our members. With the proposed rate adjustments, HealthPlus's overall MLR is expected to remain above the 82% minimum allowable ratio. In the event HealthPlus's MLR does not meet the required minimum, HealthPlus will refund the difference to policyholders.

HealthPlus has attempted to limit the rate increases to the lowest feasible level while preserving the financial integrity of the products. This rate action is intended to keep the rates at an adequate level to compensate for both anticipated utilization and the annual increases in the cost of medical care (*See description of health care costs below*).

Periodic rate adjustments are necessary to secure the ability of HealthPlus, like any health insurer, to produce sufficient revenue and surplus for reserves to assure continued coverage and claim payments both for current healthcare needs and potential catastrophic cost situations. HealthPlus's reserves vary from year to year based on actual healthcare costs incurred. Failing to meet the minimum statutory reserves will result in the insurer being deemed "impaired" under the New York Insurance Law. These reserves are the "insurance" that ensures payment even when costs run higher than anticipated or emergencies or disasters occur and should not be used as an alternative fund to temporarily reduce rate adjustments.

In filing this rate application, we are sensitive to the fact that individuals struggle to afford health insurance coverage and we are seeking the appropriate premium necessary, as determined by our actuaries, to maintain a viable health plan. In our actuarial judgment it is clear that an increase in premiums is critical to ensure the viability of these products. Failure to approve these rates will likely lead to even greater rate increases and fewer product offerings in the future as claim costs will eventually exceed premiums collected.

II. <u>FACTORS CONTRIBUTING TO THE PROPOSED RATE INCREASE</u>

<u>Escalating Health Care Costs</u>

The cost of health care services and equipment continues to be the primary reason for rate increases. A report by Mercer projects accelerated health care cost growth moving forward as the impact of inflation begins to phase in with healthcare provider contract renewals. [1]

Health care cost and spending trends reflect underlying changes in the demographics and health status of America's population. The aging population is driving some of the increase – as people age, they typically utilize more health services. Between 2010 and 2050, the population aged 65 and older is expected to double, as the "baby boomer" population ages and life expectancy continues to rise[2]. Indeed, the first baby boomers have now turned seventy and the percentage of workers over 65 is greater than at any period in history. As this population ages it will correspond to a further escalation of costs. Moreover, the country's general declining health and the increase in obesity and other health concerns, even at younger ages, forces average costs upward.

[1] Mercer's National Survey of Employer-Sponsored Health Plans 2022, December 2022
[2] Center for Medicare & Medicaid Services, THE NEXT FOUR DECADES The Older Population in the United States: 2010 to 2050

Hospital
Hospitals (inpatient and outpatient care) account for the largest share of the health care premium dollar in New York, a percentage that continues to grow. Factors driving this growth include increasing demand for care, rising costs to hospitals of the goods and services needed to provide care, and the growing intensity of care needs.

Prescription Drugs
Specialty drugs account for one of the biggest health benefit cost drivers. Large employers reported that spending on specialty drugs rose by nearly 10% in 2022. Specialty drug trends are expected to increase as more breakthrough gene and cellular products enter the market.[3] Additionally, 2022 shows continued increase in cost and utilization of diabetic and weight loss drugs. Claim cost for these drugs increased by about 110% in 2022.

COVID-19

The 2024 rate filing reflects the expected 2024 impacts from the COVID-19 pandemic including the cost of vaccination administration and continued diagnosis and treatment of COVID-19.

III. ADMINISTRATIVE SAVINGS

Recognizing the impact that rate increases will have on our customers, HealthPlus attempts to mitigate their impact by controlling and, if possible, reducing selected administrative costs to offset increases that are necessary or beyond our control. Our corporate culture emphasizes continuous improvements in all areas of the company with a focus on administrative savings and improving member and customer services. While we continue to strive to judiciously reduce administrative costs further, we want to avoid sacrificing customer service, which we believe would be at risk by further cost reductions.

[3] Mercer's National Survey of Employer-Sponsored Health Plans 2022, December 2022

IV. HISTORICAL FACTORS

State and Federal Taxes

New York adds more insurance taxes and assessments than any other state in the country. These consist of both direct taxes and a number of indirect taxes amounting to an annual total of over $6.5 billion in taxes passed on to New York healthcare customers in the form of higher premiums. These taxes include:

- NYS Premium Tax – this 1.75% tax is on all HMO and insurance contracts (and there is an additional amount for customers in the Metropolitan Transit Authority service area).
- Covered Lives Assessment – this indirect tax is a charge on all fully and self- insured "covered lives". The purpose of the Covered Lives Assessment is to raise funds for a variety of state programs and for the state budget. The Assessment is included in claims costs for purposes of calculating the MLR. This assessment is currently a charge ranging from $3.46 to $17.52 per individual contract per month and from $11.43 to $57.82 per family contract per month.
- HCRA Surcharge – this is a 9.63% surcharge on all hospital discharges. The purpose of the HCRA Surcharge is to raise funds for a variety of state programs and for the state budget. The Surcharge is included in claims costs for purposes of calculating the MLR.
- NYS Insurance Department "206" Assessment – while this assessment is intended to fund the cost of the Department's regulatory activities, it constitutes an indirect tax whereby a large portion of the revenue generated by the assessment continues to be used to fund other programs not directly related to insurance regulation. This assessment is charged to insurers based on their premium volume.

Each of these current taxes and fees contribute significantly to the cost of coverage and will vary from year to year as the number of covered lives increases or decreases and the number of hospital discharges vary.

V. DETAILS OF THE PROPOSED RATE INCREASE

The proposed premium rates affect approximately:

- 18,500 on-exchange individual members
- 500 off-exchange individual members

Premium rates for community-rated customers are regulated by the Superintendent of Financial Services pursuant to Section 4308 of the Insurance Law. The following tables show proposed annual rate changes for the indicated community rated products:

2024 Plan Name	Rating Area 1	Rating Area 3	Rating Area 4	Rating Area 7	Rating Area 8
Anthem Gatekeeper X, Catastrophic, ST, INN, Individual Network, Pediatric Dental	20.8%	20.8%	20.7%	20.7%	20.7%
Anthem Gatekeeper X, Bronze, ST, INN, Individual Network, Dep 25, Pediatric Dental	20.7%	20.7%	20.7%	20.7%	20.7%
Anthem Gatekeeper X, Silver, ST, INN, Individual Network, Dep 25, Pediatric Dental	20.7%	20.7%	20.7%	20.7%	20.7%
Anthem Gatekeeper X, Gold, ST, INN, Individual Network, Dep 25, Pediatric Dental	20.7%	20.7%	20.7%	20.7%	20.7%
Anthem Gatekeeper X, Platinum, ST, INN, Individual Network, Dep 25, Pediatric Dental	20.7%	20.7%	20.7%	20.7%	20.7%

EXHIBIT 13a: NUMERICAL SUMMARY AND RATE INDICATION CALCULATION

NUMERICAL SUMMARY

Company	HealthPlus HP, LLC
NAIC Code:	16574
SERFF Tracking #:	AWLP-133669138
Market Segment:	Individual

1 Please complete the Numerical Summary below as well as the Narrative Summary (a separate attachment) for each market segment for which a rate filing is being submitted.
2 The Narrative Summary must be in plain English and should clearly and simply explain the reasons for the requested rate adjustment (This should be included in the provided blank template "2024 Exhibit 13b - Narrative Summary.docx")
3 The purpose of the Narrative Summary is to provide a written explanation to the company's policyholders to help them understand the reasons why a rate increase is needed.
4 The purpose of the Numerical Summary is to provide a clear and simple overview of the requested rate adjustment.
5 These Summaries (with the exception of the Rate Indication Calculation Section) will be public documents and will be posted on DFS's website and furnished by DFS to the public upon request.
6 The company should submit these Summaries to DFS ten (10) days before submitting a rate adjustment filing.
7 A draft of these Summaries and of the Initial Notice must be included in a "Prior Approval Pre-filing" submitted to DFS via SERFF.
8 Once reviewed by DFS, these Summaries must be posted to a location on its website that is publicly available and accessible without the need for a user ID/password.
9 Links should be provided on key pages of the company's website so that the information may be easily located.
10 Any change(s) made to the Narrative Summary/Numerical Summary subsequent to the posting must be submitted to DFS with the specific change(s) identified.
11 Rate Change Adjustment calculations between Year 2023 and 2024 should be based on the DFS Membership Survey data as of 3/31/2023.
12 This exhibit must be submitted as an Excel file and as a PDF file.

A. Average 2023 and 2024 Premium Rates:

1 Weighted Average Monthly Base Premium Rates are as calculated in Row 32 of the appropriate columns in Exhibit 13c (Columns L-P for 2023 and Columns U-Y for 2024)
2 Premium Rates for 2024 should be Consistent with the Premium Rates reflected in Exhibit 23.

	Average Individual Rate Platinum	Average Individual Rate Gold	Average Individual Rate Silver	Average Individual Rate Bronze	Average Individual Rate Catastrophic
2023 Weighted Average Base Premium Rates	$ 1,217.75	$ 1,046.37	$ 841.24	$ 624.32	$ 276.09
2024 Weighted Average Base Premium Rates	$ 1,470.15	$ 1,263.04	$ 1,015.49	$ 753.66	$ 333.36

B. Weighted Average Annual Percentage Requested Adjustments:

	2023 to 2024	2023 Weighted Average PMPM Rate All - Metals	2024 Weighted Average PMPM Rate All - Metals	
Requested Rate Adjustment	20.71567%	$ 760.75	$ 918.34	From Cells Q-74 and Z-74 of Exhibit 13c

C. Weighted Average Annual Percentage Adjustments for each of the Past Two Years [If Applicable]*:

	2021 to 2022	2022 to 2023
Average Rate Adjustment Requested	10.20000%	6.90000%
Average Rate Adjustment Approved	0.40000%	0.50000%

D. Average Medical Loss Ratios [MLR] for All Policies Impacted [Ratios of Incurred Claims to Earned Premiums] [If Applicable]*:

	2020	2021	2022	Projected 2023	Projected 2024
MLR	69.0%	80.4%	84.6%	85.4%	88.9%

E. Claim Trend Rates and Average Ratios to Earned Premiums [Per Exhibit 18 Supplement for 2021-2023 and Comparable Exhibits for 2021] [If Applicable]*:

	2022	2023	2024
Annual Claim Trend Rates	6.3%	7.2%	9.0%
Expense Ratios	7.8%	9.6%	9.1%
Pre Tax Profit Ratios	0.5%	2.0%	2.0%

* If no products were offered in a particular year, indicate "N/A" in the applicable box.